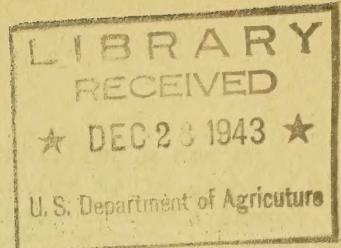


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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.



COMMENTARY ON GENERAL SESSIONS

By Eric Englund, Chief of the Regional Investigations Branch, Office of Foreign Agricultural Relations, at the 21st session of the Annual Agricultural Outlook Conference, Washington, D. C., October 20, 1943.

My assignment is to summarize the general conference as a whole, with leave to say a few words of my own. This assignment is made easier by the fact that the Secretary of Agriculture ended his address on an optimistic note. Also, the papers presented in the general sessions, with very few exceptions, were better prepared than in the past. I should like to set out a few highlights which, in my opinion, have been the background of the Outlook conference.

First, are certain well-established facts. Demand for farm products is assured, at least in the year ahead; output of our agriculture is nearing a practical limit; farm income is the largest in history.

Second, great uncertainties are ahead for agriculture. There is the danger of inflation; the unknown, and perhaps unpredictable demands on our agriculture for relief of the suffering peoples abroad; the transition from unprecedented total war to the hoped-for full employment of peacetime; and, the uncertainties involved in the question of what will be our foreign policy, to establish our moorings in this troubled world. That subject was brilliantly discussed last evening, by Mr. Lippmann. Discussions in public forums, in Congress, and in parlors, would indicate that people everywhere are thoroughly awake to the importance of developing a foreign policy that will be commensurate with our responsibilities, our opportunities, and our determination to preserve our way of life.

The third point that stands out in the program, in my mind, is that a great deal is being done in attempting to plan for meeting and dealing with these uncertainties. We were told this afternoon, and I should like to add my personal agreement to the opinion of the Secretary, that in this work there is some danger of bogging down in overcomprehensiveness. Yet, in defense of detail, the mountain peaks cannot be measured exactly until we know something of what lies between them. Perhaps out of this great effort a few things will emerge on which public attention and the drive of public determination may be focused, leaving the lesser points of the contour of the future to take care of themselves or be taken care of in due course.

Against these uncertainties that are ahead, and in view of the work that is being done to meet those uncertainties let us balance a few details.

When the question arose this year, "Will we hold the inflation line?" those who prepared the program for the conference set up three points as the foundation upon which we must build against inflation: tax policy, wage policy, and price policy.

We had a brilliant paper on tax policy. It was pointed out by Mr. Paul that a total of 42 billion dollars is next year's "inflationary gap". That is the formal economic term for it. Mr. Paul called it "liquid dynamite" and "dangerous dollars". The 42 billion dollars--call it by any name--is liquid dynamite, money in the pockets of the people, ready to be laid down on the counters of the country for the purchase of goods and services at a time when there is far less than a commensurate quantity of goods and services available for purchase. Pockets full of money, shelves behind the counter partly bare--in that is the inflation danger.

Now, as one who paid some attention to taxation matters in the past, I should like to express my opinion that the question of taxes is the most important of the three points in the foundation upon which this effort to hold the line rests. The effort will succeed or it will fail largely to the extent that we absorb that excess buying power.

I wish that Mr. Paul had emphasized an additional point. When we think taxation in relation to inflation, we should ask ourselves two questions and try to answer them. First: Where, throughout our society, in whose pockets, is that 42 billion dollars of dangerous money?

Second question: In a given tax program designed to absorb that money, will that tax program reach out for the dangerous money where it is, or will it miss the bulk of it? This second question must be answered if we are going to appraise the anti-inflationary force of any given tax program. These questions Mr. Paul neither raised nor answered, although he answered many others. It is discouraging to the prospects for holding the line that too many of us think we cannot pay any more taxes than we are now paying.

He took a good deal of exception to the general sales tax. I'll add another danger--once the sales tax is in, it is hard to get it out. Mr. Paul said it was proposed to levy taxes according to ability to pay. The Treasury program, he estimates, would account for--would absorb--one-quarter of the "liquid dynamite" of 42 billion dollars. But when it comes to considering any particular tax, I should like to warn you against using the peacetime text-book arguments for and against taxes in wartime. Circumstances are different in wartime. There is vastly more income; it is differently distributed. In arguments for and against certain taxes now, don't look to the text books for all the answers.

Last year we had an excellent address by Dr. Morse of the War Labor Board. This year, he outdid himself in excellence of presentation. He emphasized one point, which, I believe, if emphasized by all of us whenever we can as we speak to farmers and other audiences throughout the country, would gain very good response. He denied the right of any economic group, pressure group or otherwise, to expect the country to pay them for winning the war.

That warning has wide implication in a time when pressures and bickerings for advantage must look petty indeed to the men at the front. Aren't we too much concerned over who is going to pay for the war--the cost of it in dollars and cents?

May I digress for a moment? Several years ago I represented the Department of Agriculture on the question of equalizing the cost of war. I was in the

committee room when General MacArthur, then Chief of Staff, testified; and near by sat the man who commands our forces in the Mediterranean area--General Eisenhower. General MacArthur was presenting the case of the General Staff on the question of equalizing the cost of war. Of the loss of life, he said: "That cost can never be equalized." Commanders, from the President down, have to send men into battle. How great is their responsibility! How petty to them must seem our bickering for economic advantage! How petty to the men whom they send into battle, men who are asked to make the supreme sacrifice, the cost that can never be equalized!

Coming back to my theme, Dean Morse reported that encouraging things have been done on the question of wage policy to control inflation,--controls exercised so far as possible, considering the pressures to which the Government is subjected. Two or three points should go home with you. One is, that the Little Steel Formula does not hitch wage scales to the cost of living; there are other factors--correction of substandard wages, removing gross inequalities, taking into account historical wage structure, and the level of living necessary to decency--a level necessary to maximum war production. That indicates to me a policy that would say none of us should expect a greater return than that which enables us to make full contribution to the war.

In wages and the cost of living, however, I call your attention to a chart in the Outlook Chart Book which also has to do with price policy. It shows that at present, in terms of average family income, food is the cheapest it has ever been. The family expenditure for a given quantity of food takes a smaller percentage of the income of the family than it has ever taken since 1913--that is as far back as the record goes.

That fact should caution us against the tricks that index numbers often play upon us. The wage rate is not the thing that determines the amount of inflation-producing money in the pockets of any worker. It is not the rate that determines what he can pay for food. The rate is usually measured in terms of index numbers. But the thing that really counts, from the standpoint of inflation, is the amount in the pay envelope. Even more surely, it is the amount that is in the pay envelope of the family that eats out of this composite we call the family food basket, which we compare in price with the basket of a few years ago.

When the price-control policy was discussed, a reference was made by Mr. Gilbert to the question of subsidy. One part of this subject should be related to the "liquid dynamite" in the control of inflation. In the use of a subsidy to control the price of a commodity, we should ask ourselves: Are we adding to inflationary forces in other parts of the price structure? You can influence the price index of the commodity, yes; but you don't control "the liquid dynamite" that way. You don't reduce the number of dangerous dollars. You don't narrow the inflation gap. That is a point we should bear in mind.

In his comments on price policy, Dr. Stine pointed out that the reduction in the floor placed under hog prices was made possible partly by the fact that the farmers responded well in the matter of production. Because there are so many hogs in the country, we can perhaps "get away" with that control.

The same is true of vegetables with which, Mr. Gilbert pointed out, price control has been working satisfactorily of late. Look at the potato crop this year, and the failure to control the price of potatoes last year. In potatoes, too, the farmers have responded with a powerful weapon against inflation--increased production.

When we now talk about price, you recall previous Outlook meetings in this room in the inter-war period, when we talked about how low the prices were. Agriculture maintained high levels of production, putting good beef-steak on the tables of all the rest of us. Then agriculture was subsidizing the rest of our economy to an enormous extent. Again, let me call attention to index numbers--to cost comparisons, patterns of index numbers in this war and in the last war, and from these comparisons draw conclusions for the future. Remember that the pre-war period, 1910-14, was a very different period from the 4-year period immediately preceding this war. Agriculture in the 1910-14 period stood at a vastly different relation to the rest of economy than during the 4 years before this war. The first period, 1910-14, ended a 15-year rise in agricultural prices. In fact, it was considered such a good period that some people not many years ago thought we ought not to base "parity" on it at all. That is now legislatively determined and I am not going to argue it. When we now express percentages of rise in agricultural prices and income, beginning with the 1935-39 period which ended the inter-war agricultural depression period, then we should do some real qualitative, and some quantitative, economic thinking. In such index comparisons, are we conveying accurate agricultural information, reasonable implications?

In regard to land values, I believe we should pay more attention to the amount and trend of farm-mortgage indebtedness than in the past. We must recall that the total farm-mortgage indebtedness has declined rapidly during the last few years. During the first World War, and to the end of that war boom, the increase had been considerable. Are those who buy land today buying on a shoestring, or are they usually paying cash?

That is a vital question for two reasons: First, if they are paying cash they apparently do not anticipate a big boom around the corner. If they expected a boom they could buy on a shoestring now and expect to sell before the boom breaks. That's what many figured on last time; that is what people figured in the stock market boom of the 1920's. The second reason is also vital: A man may buy a farm now at a high price and pay for it in cash with some of these "dangerous dollars", cheap money. When money becomes dear again and with a fall in land values, he is not going to be in the pincer squeeze that was so general after the last boom, and he is not going to place quite so many demands on the Government for debt adjustments as he did the last time.

As to the 1944 farm production program--it was emphasized to you here that nobody is going hungry in this country. The food shortage is not acute--I fear part of it is a matter of head-line publicity. Remember, a lot of people are eating better than they did before the war. They are not likely to be the ones who are writing newspaper stories and columns and who think the war has hit them awfully hard if they don't find beefsteak at their clubs, hotels and restaurants.

Then in Dr. Ezekiel's paper on the world food situation there was summarized a set of facts which I happen to know from the work of our Office are the highlights of the available facts on that subject.

When the story is written of how agriculture in the United Nations was mobilized for war, it will be a very impressive story. Dr. Ezekiel said that our own food production is up very materially--38 percent--above the prewar, as against $12\frac{1}{2}$ at the end of the last war. That much above the all-time high prior to each war. Do you realize what that means? In the last war we did not have the total war we have now. There was not the same encroachment either on manpower or on implements. Moreover, there was more land for expansion. The fact that agriculture has expanded as far as it has, nearly 50 percent, in livestock production, is in my opinion a monumental achievement.

Bear this in mind when you hear it said or see it written, that agriculture generally and the Department of Agriculture, have failed on the job. Remember that tremendous increase has been brought about in spite of a much tighter situation confronting producers now than in the last war, when the increase was only a fraction of the present increase. That great total is a tribute, first of all, to the farmers of the country, and secondly, to yourselves: to research, to education, and to programs, many of which you find faulty--but they bring results.

Canada has expanded wartime production in the field of animal food products somewhere between 42 percent and 50 percent since the war started. In many other surplus-producing countries among the United Nations something similar has happened. In Britain, the caloric increase in production has been somewhere between 60 and 70 percent. This has been done mainly by shifts from grass-land-livestock production to food crops.

Now, what does all that mean? It means this to me: Deficit-producing areas of the world have shifted their agriculture into food crops and high-calorie foods so as to economize on the use of their resources; in that way they can feed more people. North America, and some others, have complemented that shift in pattern by emphasizing the animal products which, with ocean transportation, convoys, and blockade are more obtainable to our fighting allies on the other side.

There has been an international adjustment in food production which will be an invigorating story when it is fully told. It hasn't happened by accident. In considerable part it has happened through international collaboration. Dr. Booth of Canada is here in connection with such a mission between ourselves and Canada.

The Minister of Agriculture of Canada was invited to Washington last January by Secretary Wickard to consider the things we have in common in our agricultural war effort. They set up an organization between the two departments to hold under constant review agricultural problems of mutual interest. We said then to one another, and we say now, "Can't you produce a little more of this? We will supplement yours if you do that," and so on. We are attempting to use the agricultural resources of North America in a coordinated way for a common purpose.

Similar arrangements are being made with reference to our neighbors to the south. Something similar has been done in the Middle East, as Mr. Thibodeaux told you yesterday. So the whole idea of production adjustment for our common purpose is alive among the United Nations.

Incidentally, in that process of cooperation, one country with another on particular problems, we are going to learn to work together more and more in still larger spheres. This, I think, will have large significance in the future.

Now, an opinion of my own as to optimism or pessimism. In the course of this conference someone referred to confusion in our programs, our counsels. That is always true more or less, if we look at the pessimistic side.

I know a Gray Lady who goes to Walter Reed Hospital to help the sick and the wounded. She told me recently that an outstanding comment among the convalescing wounded soldier is that the thing which troubled them most in battle is not the shot and shells, not the imminent, ever-present danger of being killed, but the confusion of it all. To the individual soldier in a sector, in a fox hole, it seems confused. It has always been so in war. Unlike the commander in touch with the whole of it, he sees a part. The great uncertainty is what is going to happen next; the individual soldier doesn't always know for sure whether the enemy is going or coming, and what is happening to the line as a whole. The confusion is almost overwhelming.

I wonder whether we are not subject to somewhat the same difficulty. We see our particular segment, and don't always see the general pattern of the campaign. If we think of the general pattern today I think we have a ground for optimism. Do you remember where we were a few years ago when the Axis countries, in unloosing all their sadistic fury, were able to say with applause from their own people, that the democracies were rotten at the core, couldn't make the grade? Those were dark days.

But I wonder if you haven't felt what I have felt as I have traveled in this country and in Canada, during the past couple of years: I have sensed a ground swell of irresistible power! Now, that ground swell has reached the fronts of the world, and we are on the offensive. Perhaps, as Mr. Lippmann put it last night, we are not at the end of the beginning, as Mr. Churchill said some months ago; we are at the beginning of the end.

Let us look back over these years and try to grasp the significance of a democracy, unprepared for war both materially and psychologically, pulling itself together, marshalling its resources, subjecting itself to necessary discipline, and within a few short years achieving what our country has done. That is not the result of confusion, however confused your "fox hole" and mine may appear on your front and on my front.

Remembering all that in the war time ahead--and it may be long, it may be short--we can look with confidence and optimism toward the future. There will be vast suffering, in getting rid of what Hitler has unloosed upon the world. Remember a line out of the Book of Revelations and take courage in it, "For the devil has gone down unto you, having great wrath, knowing that he hath but a short time."

During this war time--short or long--while linked together by this cementing power of the common purpose of winning the war, let us think, optimistically, of the possibility of a cementing power in the time of peace that lies ahead.

In these meetings we have heard much about full employment. When the men come back from the battlefronts, if there is mass unemployment they are going to say, "How is it that in time of war we can pull ourselves together, produce full employment, and yet we can't do it in time of reconstruction and peace?" That, in my mind, will be a most burning question. And it can't be answered merely by statistics, although I have great respect for them. It may have to be answered also by an appeal to that sentiment which I have noted in some farmers' audiences I have spoken to during the war. After talking about price of hogs, price of beef, supplies of this, supplies of that, I have always found that if I inject an ideal--if I brought to mind that there are bigger things at issue, in this war and in the post-war era, bigger than just these material things, the audience seems always to respond. I wonder if you have felt that, too?

Don't you believe that the public--the people who ultimately will decide, as it will and must in a democracy--is ready for an appeal on somewhat higher ground than the dry, materialistic ground? Are they not ready to subordinate the idea: Whatever is wrong with you and me it is society's fault; and whatever can be done for you and me, society must do it?

Can't we appeal to that sense of responsibility by which we may hope to achieve a greater peacetime social unity? A sense of responsibility that can be a peacetime substitute for war as a cementing influence among groups and classes? Can we by appealing to an awakening sense of unity perhaps achieve a higher standard of social conduct? This may be an appeal to emotion. If so, I do not apologize for it, for some of the greatest accomplishments in the history of this world have been achieved by the driving force of human sentiment.

I believe that we as a people can achieve that sense of unity. Through it, in the post-war period, we can merge some of our viewpoints, and come to see the common interest as paramount. We cannot do that if we are a house divided. In spite of all the damage Hitler has done to this world, perhaps in the retrospect of history, he may eventually be seen as having driven us to a new appreciation of liberty, a new realization of the strength of our institutions, a new confidence in our way of life. If we gain those, there is hope for successful post-war adjustment and a successful peace.

